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Chapter Seven—Contract and Performance Monitoring

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Chapter Seven

Contract and Performance Monitoring

7.1 PURPOSE

The goals on every project are:

- to complete it on time,
- within the budget,
- meet a high degree of professional standard, and
- without claims.

Meeting all four goals requires significant effort and a variety of contract and performance monitoring techniques.

7.2 CONTRACT MONITORING

Project Managers are usually most comfortable with monitoring the technical aspects of a project, since projects have set standards and specifications to be followed and adhered to.

Although ensuring the technical quality of a project is very important and appears relatively simple, in reality it is very complex involving an array of technical, contractual and financial monitoring techniques which must be applied to have a successful project.

Two important contract monitoring documents are a result of a successful negotiation:

- the final agreement, which contains the contractual elements, and
- the final fee proposal, which contains the financial elements.

The Project Manager should summarize the major contract elements from the final agreement and attach them to the front face of the project file for easy reference. These elements include scheduling and phasing items, milestones, and all controlling payment limits.

The second document—the final fee proposal—is the basic tool needed to monitor the costs of the project while it is under way. This proposal includes:

- the definition of the various tasks,
- the estimated person-hours by task and job classification,
- the proposed preliminary schedule, and
- an outline of all costs.

7.3 PERFORMANCE MONITORING

Contract Monitoring and Performance Monitoring are not easily separated and must be dealt with together.

Performance monitoring, to be effective, must be an active and continual function. Some tasks must be performed sequentially with other tasks. However, many tasks have less dependence on other tasks and can

be accomplished in parallel with some other tasks to expedite project completion. The Project Manager must be aware of which tasks are being worked on, who is performing the work, how the tasks are being coordinated, and the anticipated completion schedules.

A Project Manager has a variety of ways to monitor performance and progress. Normal day-to-day liaison will provide the manager with a good idea of what tasks are under way. However, this will not indicate the level of intensity, proposed completion schedules, or if other critical activities are being pursued by the various support sections within the firm. This can be ascertained by using a combination of all the following performance monitoring techniques.

Firms normally bill on a monthly basis. The Consultant is required to submit a summary of tasks worked on, person-hours expended, payroll records and other cost information for contracts using the cost-plus-fixed-fee method of payment. Where other approved methods of payment are specified, the Consultant is not required to submit as much data, but still must submit sufficient information to verify progress and costs incurred. The Project Manager reviews and approves the billing not only for accuracy but to ensure the work was actually in progress and the person-hours billed are reasonable.

Project Managers augment their capability to verify, approve progress payments and assess performance through project status meetings and review meetings. A key element is the Consultant's ability to meet targeted critical dates and submissions with an acceptable product. Continual submission of incomplete products to meet a Project Manager's demands is not satisfactory.

The value of progress status meetings cannot be overstated. Although meetings are time-consuming, timely decisions keep a project on schedule and within budget. If small problems and decisions are left to accumulate, they can become major stumbling blocks. Status meetings should be scheduled regularly, with at least one meeting a year being held in the Consultant's offices, if feasible. The Project Manager needs to verify the Consultant's staff capability as well as the adequacy of the physical environment in which they work.

To summarize, a Consultant's performance should be evaluated more often than at project reviews, at certain key dates or upon completion of phases and should be periodically reviewed where the work is being done.

Project Managers receive a great deal of financial data upon which to make judgments on a firm's performance. The final fee proposal is a very valuable financial tool with which to compare current billings. Although viewed as a preliminary estimate, it is the best information available on resources and costs needed to complete the project. The Project Manager should periodically compare budgeted costs versus expenditures, actual hourly rates charged versus those proposed, actual person-hours used per task versus those initially proposed, and the mix of assigned staff. Significant variations of any of these items are justification for a performance status meeting.

7.4 PERFORMANCE REPORTING SCHEDULE

The Project Manager monitors a Consultant's progress and performance:

- informally on a day-to-day basis.
- formally on a monthly basis through progress reports.
- annually and upon project or phase completion by written performance evaluations. Refer to Sections 7.6 and 7.7.

- at any time there is a problem with the Consultant's progress or performance.

7.5 INTERIM PROGRESS EVALUATION

The firm is required to submit a progress report with the monthly billing. This report, with accompanying back up information, provides the Project Manager with another good tool for evaluating a Consultant's performance.

7.6 INTERIM PERFORMANCE REPORTS

Formal Interim Reports should be prepared by the section responsible for monitoring the project at the end of key phases as provided in the agreement or at least on an annual basis. Refer to Appendix J for the instructions and forms for evaluating a consulting firm's performance.

An interim report is an excellent means of informing a Consultant of the Department's current judgment as to how well the project is progressing.

The Section responsible for the project may prepare an interim report at any time it is felt to be appropriate, but should prepare one on all active projects once a year. On multiple-part or phased agreements, an interim report should be prepared upon completion of each part or phase, prior to completion of the entire agreement. The interim report will be a compilation of the Consultant's performance on all work completed under the agreement at the time the report is prepared.

Each completed report must be discussed with and be signed by representatives of the consulting firm. The Consultant's project manager or managing principal should sign in the appropriate space acknowledging they have read the report and discussed it with the responsible Section.

The interim report should be completed no later than submission of the final invoice for the most recently completed part or phase of the contract.

If a Consultant refuses to sign an interim report, the following certification should be placed on the report:

"I certify that representatives of the engineering firm have refused to sign this report."

This statement should be signed by the Section head.

Interim reports are considered confidential and should be discussed only with Department personnel and the firm being rated. A copy of each report is to be furnished to the Consultant Control Coordinator for use during the shortlisting and selection process.

Interim reports are to be kept on file until submission of the final report.

7.7 FINAL PERFORMANCE REPORT

A final performance report must be prepared after completion of all work as per the agreement. This report preferably should be completed no later than submission of the final invoice.

After the report is prepared, it is discussed with and signed by the Consultant's project manager or managing principal. The report should be signed in the proper space acknowledging that the Consultant has discussed and read the report.

If the Consultant refuses to sign the report, the following certification should be placed on the report:

“I certify that representatives of the firm have refused to sign this report.”

This certification is placed on the report following the section head's signature.

The final report is considered confidential and discussed only with Department personnel and the firm. The Consultant Control Coordinator is furnished a copy for use during the shortlist and selection process.

Reports three years old or older are considered no longer valid and should be discarded.